

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 L-02 FRB-03 OMB-01 TAR-01 SP-02

AGR-05 AID-05 CIAE-00 COME-00 INR-07 IO-10 LAB-04

NSAE-00 OIC-02 SIL-01 STR-01 TRSE-00 CIEP-01 CEA-01

PM-03 NSC-05 SS-15 /083 W
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R 051756Z MAR 75

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 3205

INFO USCINCSO

PANCANAL

AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, PN

SUBJECT: BANANAS: UB REP DOES NOT EXPECT EARLY SALE CONTRACT WITH GOP

REF: A. PANAMA 0074, B. PANAMA A-9, C. EAL P. 6, PARA. 2

SUMMARY: UNITED BRANDS (UB) HAS NAMED BOBBY WALKER AS RESIDENT REPRESENTATIVE FOR LIAISON WITH GOP. WORK ON INVENTORY OF COMPANY ASSETS HAS NOT YET BEGUN, AND WALKER BELIEVES GOVERNMENT IS NOT NOW ANXIOUS TO PROCEED WITH DETAILS OF SALE CONTRACT NOR WILL IT PRESS CLAIM FOR BACK TAXES IN MEANTIME. GOP WILL SHORTLY BEGIN TO UTILIZE SOME OF UNUSED UB LAND IN CHIRIQUI PROVINCE, AS PROVIDED FOR IN AGREEMENT. END SUMMARY.

1. BOBBY WALKER, FORMER CHIEF OF UB BOCAS DEL TORO DIVISION, HAS BEEN LIMITED OFFICIAL USE

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ASSIGNED TO PANAMA CITY TO ACT AS LIAISON FOR IMPLEMENTATION OF UB-GO

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AGREEMENT. IN CALL ON AMBASSADOR TO REVIEW CURRENT SITUATION, WALKER REPORTED THAT JOINT COMMISSION CALLED FOR IN AGREEMENT TO INVENTORY UB'S

LOCAL ASSETS, LOOKING TOWARD SIGNATURE OF SALE CONTRACT BY APRIL 15, 1975, HAS NOT YET BEEN ESTABLISHED. HE BELIEVES THAT, SINCE UB-GOP RELATIONSHIP IS NO LONGER BURNING POLITICAL ISSUE, GOP IS NOT INTERESTED IN PURSUING QUESTION OF FORMAL SALE CONTRACT BY THAT DEADLINE NOR IN THE IMMEDIATE FUTURE. HE INDICATED THAT POTENTIAL REVENUE FROM 35 CENTS A BOX EXPORT TAX (WHICH WOULD AMOUNT TO \$8.1 MILLION BASED ON 1974 EXPORTS) IS CONSIDERABLY GREATER THAN ANY FINANCIAL BENEFITS GOP WOULD OBTAIN FROM TAKING OVER BANANA PRODUCTION FROM UB, AND HE THINKS THAT PANAMANIAN OFFICIALS ARE BEGINNING TO REALIZE THIS. HE STATED THAT UB'S POLICY WILL BE FOR HIM TO REMAIN AVAILABLE TO TAKE UP ISSUES WHENEVER GOP WISHES TO PURSUE THEM, BUT TO KEEP A LOW PROFILE IN THE MEANTIME.

2. WALKER PREDICTS AN EARLY AGREEMENT ON INCREASED PRICES TO BE PAID PANAMANIAN INDEPENDENT PRODUCERS, AN OBLIGATION UNDERTAKEN BY UB IN ITS SEPTEMBER INFORMAL AGREEMENT WITH GOP. WITH REGARD TO THE \$8 MILLION CLAIM FOR BACKTAXES (REF A), WALKER STATED THAT HE HAD EARLIER RECEIVED ASSURANCES FROM PRESIDENT LAKAS THAT QUESTION WOULD BE HELD IN ABEYANCE. UB HAS NOT YET BEEN FORMALLY SERVED WITH ANY NOTICE OF TAXES DUE UNDER THIS CLAIM, WHICH HE CHARACTERIZED AS BEING COMPLETELY SPURIOUS, BUT HE BELIEVES QUESTION WILL PROBABLY BE BROUGHT UP BY GOP WHENEVER SALE CONTRACT IS ACTUALLY NEGOTIATED.

3. WALKER REPORTED THAT TALKS WITH GOP SINCE AGREEMENT SIGNED HAD CENTERED ON QUESTION OF UNUSED LANDS TO BE MADE AVAILABLE TO GOVERNMENT, WHICH HE ESTIMATED TO TOTAL ABOUT 10,000 ACRES IN CHIRIQUI AND 1,000 ACRES IN BOCAS DEL TORO. HE INDICATED GOP WOULD SHORTLY MAKE SOME SUCH LAND AVAILABLE TO FARMING COOPERATIVES IN CHIRIQUI, PROBABLY FOR RICE GROWING. THE GOVERNMENT HAS MADE NO MOVE TO PLACE ITS PEOPLE WITHIN UB ORGANIZATIONAL STRUCTURE FOR TRAINING PURPOSES, AS PERMITTED BY THE AGREEMENT, AND IN FACT HAS RECEIVED SEVERE COMPLAINTS FROM UB EMPLOYEES, AT LEAST 90 PERCENT OF WHICH ARE PANAMANIAN, INCLUDING ALMOST ALL DEPARTMENT HEADS, WHO ASK WHY THE GOVERNMENT WOULD CONTEMPLATE PLACING ANY LIMITED OFFICIAL USE

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ADDITIONAL PERSONNEL IN THE COMPANY TO TRAIN FOR POSITIONS WHICH PANAMANINA EMPLOYEES EITHER NOW HOLD OR ARE ALREADY QUALIFIED TO FILL.

4. WALKER SAID THAT ALTHOUGH MORALE ON PART OF LOCAL EMPLOYEES WAS LOW, EVERYTHING IS RUNNING RELATIVELY SMOOTHLY AGAIN. REDUCTION OF EXPORT TAX FROM \$1 TO 35 CENTS A BOX HAS NOT YET BEEN OFFICIALLY PROMULGATED, BUT THIS IS PROMISED VERY SHORTLY, AT WHICH TIME WALKER

EXPECTS UB WILL DROP ALL REMAINING LAWSUITS FILED LAST YEAR
PROTESTING \$1 TAX.

COMMENT: ONE EVIDENCE OF RETURN TO NEAR TRANQUILITY ON BANANA FRONT
IS RECENT INCREASE IN SHIPMENTS ABOVE EARLIER COMPANY EXPECTATIONS
(JANUARY 1975 TOTAL WAS 14 PERCENT ABOVE JANUARY 1974). HOWEVER, EVEN
IF CONSIDERATION OF FORMAL SALE CONTRACT IS PUT OFF BEYOND EARLIER
CONTEMPLATED DEADLINE OF APRIL 15, WE DOUBT THAT ANY RENEWED SECOND
THOUGHTS ON PART OF SOME PANAMANIAN OFFICIALS CONCERNING LONG-TERM
UTILITY OF TAKING ON PROBLEMS OF BANANA PRODUCTION WOULD OVERCOME
THE POLITICAL IMPERATIVE TO CARRY THROUGH WITH ACQUISITION OF UB'S
LOCAL OPERATIONS AT LEAST WITHIN THE BROADER TIMEFRAME OF THE
AGREEMENT, I.E. BY END OF 1977.

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